

MARK PRYOR

ARKANSAS

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SELECT COMMITTEE ON ETHICS

United States Senate

WASHINGTON, DC 20510

March 26, 2014

255 DIRKSEN SENATE OFFICE BUILDING
WASHINGTON, DC 20510
(202) 224-2353

500 PRESIDENT CLINTON AVENUE
SUITE 401
LITTLE ROCK, AR 72201
(501) 324-6336
TOLL FREE: (877) 259-9602
<http://pryor.senate.gov>

Mr. Tom Wheeler
Chairman
Federal Communications Commission
445 12th Street, S.W.
Washington, DC 20554

273

Dear Chairman Wheeler:

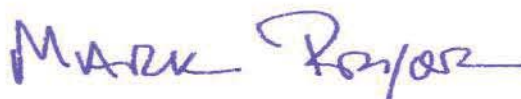
I write to you to express my concerns about recent developments that threaten to dramatically increase the phone bills of consumers in Arkansas and throughout rural America.

Specifically, I am concerned about the Federal Communications Commission's Wireline Competition Bureau announcement that it will modify the "rate floor" for phone rates of rural consumers across the country. The rate floor, which is currently set at \$14 will rise to over \$20 on July 1, 2014. Telecommunications providers offering service at rates below this rate floor could risk losing vital universal service support if they do not take action to immediately raise the telephone rates of their customers.

Although I am in favor of sound and sustainable Universal Service Fund policies, I am concerned about the impact to consumers in my state and rural consumers across the country. First, I believe the Commission should reconsider actions that lead to significant rate increases for vulnerable, rural consumers. Second, it is imperative that the Commission act to delay these increases. It is unfair to rural consumers and telecommunication providers that phone bills could be raised by forty percent or more with such short notice. Lastly, should an increase in the rate floor be necessary, that increase should be phased-in. Consumers deserve better than drastic price hikes for their basic telephone service.

We must remain vigilant to make sure that the users of our phone system, especially rural consumers, receive affordable phone service and are not subject to excessive or unexpected rate increases. I look forward to your prompt response in this matter.

Sincerely,





FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

OFFICE OF
THE CHAIRMAN

April 18, 2014

The Honorable Mark Pryor
Chairman
Subcommittee on Communications, Technology, and the Internet
Committee on Commerce, Science, and Transportation
United States Senate United States Senate
255 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Chairman Pryor:

Thank you for your letter expressing concerns on the implementation of the urban rate floor. I appreciate your views and will ensure that your letter will be included in the record of the proceeding and considered as part of the Commission's review.

In the 2011 *USF/ICC Transformation Order*, the Commission unanimously adopted reforms to make universal service a fairer system for all consumers and businesses. The *Order* includes a phase-out of excessive subsidies for basic phone service, which allowed some phone companies to charge their customers as little as \$5 a month while average urban, suburban, and even some other rural consumers, were paying over three times that amount. The Commission determined it was inappropriate to use limited federal high-cost support to subsidize local rates beyond what is necessary to ensure reasonable comparability between urban and suburban rates and rural rates, as required by Congress. The reforms gradually eliminate these excessive subsidies to level the playing field for all consumers and contain the cost of the program, which is funded by universal service fees paid by consumers.

While the Commission's rules do not require carriers to raise their local rates, I recognize there are concerns over potentially sizable rate increases and the possible difficulty some carriers may experience in making any rate adjustments at state level in a short period of time. To address these concerns, as I indicated during recent House and Senate Appropriations hearings, I have proposed to my fellow Commissioners that we delay the implementation of any universal service support reductions to provide carriers with additional time to consider whether they wish to make any rate changes and to enable them to phase in any changes over a longer period of time. This will allow implementation of the Commission's statutory obligation to ensure reasonably comparable rates. These proposed recommendations are included in an Order currently on circulation for consideration for the Commission's April Open Meeting.

I appreciate your interest in this matter. Please let me know if I can be of any further assistance.

Sincerely,

Tom Wheeler